

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 19031
[REDACTED],	)	
	)	DECISION
Petitioner.	)	
_____	)	

This case arises from a timely protest of a State Tax Commission staff decision adjusting the property tax reduction benefit for 2005. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit program is available to certain qualifying individuals throughout the state. The benefit is in the form of payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax.

[Redacted] (petitioner) filed an application with [Redacted] County for the property tax reduction benefit on or about April 6, 2005. A letter from an attorney listing medical expenses was submitted with the application. Pursuant to Idaho Code § 63-707(5), the staff audited that application and identified income that had not been reported in the application.

The staff sent the petitioner a letter advising her of the intent to change her benefit amount because of the additional income and questions regarding her medical expenses. She was asked to provide receipts showing her out-of-pocket medical expenses. She protested the intended action stating: "I had no idea the tax commission would be reluctant to recognize my attorney handling money to pay most of my medical necessities. Not having inside knowledge of this I did not keep all my receipts." She asked for 60 days to gather receipts. The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5) as follows:

(5) **"Income" means the sum of federal adjusted gross income** as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, **and** to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

**It does not include** capital gains, gifts from nongovernmental sources or inheritances. **To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and/or, if married, the claimant's spouse, may be deducted from income.** To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. . . . "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission in such form as the county assessor, board of equalization or state tax commission shall determine. "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. (Emphasis added.)

For the purpose of the property tax reduction benefit, income begins with the claimant's

federal adjusted gross income and adds certain other income to that amount. In the petitioner's application, she reported only the disability income she received from Social Security. She did not report her 2004 wages of \$2,964 that were found in the Idaho Department of Labor records.

During the appeals process, the letter from the petitioner's attorney was examined further. A statement in the letter: "Disbursements of proceeds from funds relating to her August 24, 2000 accident were made . . ." prompted a conversation with both the petitioner and her attorney. They both separately stated the petitioner's medical bills were paid from funds received as a settlement of a lawsuit after which a portion of the remaining fund, \$2,000, was paid directly to the petitioner in the spring of 2004.

Pursuant to the definition of income in Idaho Code § 63-701(5), the wages and portion of the settlement the petitioner received in 2004 are required to be included as income for the 2005 property tax reduction benefit. Medical expenses, as defined in the Internal Revenue Code, can be deducted from that income if those expenses were paid by the petitioner.

The claimant did not pay the medical expenses claimed in the application out of her property tax reduction benefit income. Those medical expenses were paid on her behalf with funds from the lawsuit settlement before \$2,000 of that settlement was paid to her. The petitioner has submitted nothing showing she paid other medical expenses. Deduction of \$17,783.75 claimed as medical expenses in the petitioner's application must be denied.

The petitioner's 2004 total income for the purpose of the property tax reduction benefit is \$19,587 (federal adjusted gross income of \$2,964, Social Security disability income of \$14,622.60, and income from a lawsuit settlement of \$2,000). The petitioner qualifies to receive a 2005 property tax reduction benefit of \$330.

The State Tax Commission is aware there is some potential this decision could cause a

hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Change Benefits letter dated September 12, 2005, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioner's right to appeal this decision is enclosed with this decision.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2006.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE BY MAIL**

I hereby certify that I have on this \_\_\_\_ day of \_\_\_\_\_, 2006, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]  
[REDACTED]  
[REDACTED]

Receipt No.

[REDACTED]